

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Ada	County Kent
Fiscal Year End March 31, 2007	Opinion Date August 15, 2007	Date Audit Report Submitted to State September 24, 2007	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	Not considered necessary		
Other (Describe)	<input type="checkbox"/>	Not required		
Certified Public Accountant (Firm Name) Siegfried Crandall P.C.		Telephone Number (269) 381-4970		
Street Address 246 E Kilgore		City Kalamazoo	State MI	Zip 49002
Authorizing CPA Signature 		Printed Name Daniel L. Veldhuizen		License Number 1101020724

Township of Ada
Kent County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Ada, Michigan's (the Township), financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$931,699 (4 percent) as a result of this year's activities. Net assets of the governmental activities by \$993,089 while the net assets of the business-type activities decreased by \$61,390.
- Of the \$25,002,710 total net assets reported, \$5,548,842 (22 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$1,744,860, which represents 97 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's annual financial report is comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems and construction code inspection services.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2007 and 2006 is also presented.

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) are one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as police and fire protection and general government. Property taxes and state shared revenue finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer and water systems and construction code inspection operations are reported here.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes (like the gypsy moth suppression program) or to show that it is properly using certain taxes and other revenues (like the public safety millage).

The Township has two kinds of funds:

- *Governmental funds*. Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Fund financial statements (Continued)

- *Proprietary funds.* Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-and short-term financial information. In fact, the Township's enterprise funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$25,002,710, an increase of 4 percent compared to the prior year. Of this total, \$16,099,883 is invested in capital assets and \$3,353,985 is restricted for various purposes. Consequently, unrestricted net assets were \$5,548,842, or 22 percent of the total. While the Township reports unrestricted net assets under both governmental and business-type activities, the unrestricted net assets of the business-type activities cannot be used to make up any net asset deficit in governmental activities.

Condensed financial information
Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current assets	\$5,152,805	\$4,131,761	\$ 4,275,964	\$ 4,154,133	\$ 9,428,769	\$ 8,285,894
Capital assets	<u>4,403,557</u>	<u>4,355,756</u>	<u>12,016,326</u>	<u>12,226,769</u>	<u>16,419,883</u>	<u>16,582,525</u>
Total assets	<u>9,556,362</u>	<u>8,487,517</u>	<u>16,292,290</u>	<u>16,380,902</u>	<u>25,848,652</u>	<u>24,868,419</u>
Current and other liabilities	231,600	155,844	294,342	321,564	525,942	477,408
Long-term debt outstanding	-	-	320,000	420,000	320,000	420,000
Total liabilities	<u>231,600</u>	<u>155,844</u>	<u>614,342</u>	<u>741,564</u>	<u>845,942</u>	<u>897,408</u>
Net assets:						
Invested in capital assets, net of related debt	4,403,557	4,355,756	11,696,326	11,806,769	16,099,883	16,162,525
Restricted	3,121,939	2,244,979	232,046	221,257	3,353,985	2,466,236
Unrestricted	<u>1,799,266</u>	<u>1,730,938</u>	<u>3,749,576</u>	<u>3,711,312</u>	<u>5,548,842</u>	<u>5,442,250</u>
Total net assets	<u>\$9,324,762</u>	<u>\$8,331,673</u>	<u>\$15,677,948</u>	<u>\$15,739,338</u>	<u>\$25,002,710</u>	<u>\$24,071,011</u>

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE (Continued)

Changes in net assets. The Township's total revenues for 2007 were \$6,821,201. Charges for services account for more than 41 percent of the Township's revenues while property taxes account for nearly 40 percent of the revenues. State shared revenue accounts for only 10 percent of the Township's revenues.

The total cost of all the Township's programs for 2007, covering a wide range of services, totaled \$5,889,502. More than 45 percent of the Township's costs relate to the provision of utility services. Public safety (police and fire protection and inspections) costs represent 17 percent of all costs.

Condensed financial information
Changes in Net Assets

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program revenues:						
Charges for services	\$ 202,384	\$ 208,506	\$2,613,510	\$2,312,919	\$2,815,894	\$2,521,425
Operating grants and contributions	24,695	8,802	-	-	24,695	8,802
Capital grants and contributions	49,377	120,150	-	1,481,836	49,377	1,601,986
General revenues:						
Property taxes	2,700,877	2,010,657	-	-	2,700,877	2,010,657
State shared revenue	672,260	675,437	-	-	672,260	675,437
Interest on investments	255,723	175,933	185,257	134,050	440,980	309,983
Franchise fees	117,118	99,283	-	-	117,118	99,283
Total revenues	<u>4,022,434</u>	<u>3,298,768</u>	<u>2,798,767</u>	<u>3,928,805</u>	<u>6,821,201</u>	<u>7,227,573</u>
Expenses:						
Legislative	30,423	28,900	-	-	30,423	28,900
General government	1,271,729	1,122,593	-	-	1,271,729	1,122,593
Public safety	823,988	770,864	161,732	170,521	985,720	941,385
Public works	176,049	189,346	-	-	176,049	189,346
Culture and recreation	453,628	290,246	-	-	453,628	290,246
Community and economic development	273,528	150,928	-	-	273,528	150,928
Sewer	-	-	944,385	913,821	944,385	913,821
Water	-	-	1,754,040	1,713,206	1,754,040	1,713,206
Total expenses	<u>3,029,345</u>	<u>2,552,877</u>	<u>2,860,157</u>	<u>2,797,548</u>	<u>5,889,502</u>	<u>5,350,425</u>
Increase (decrease) in net assets	<u>\$ 993,089</u>	<u>\$ 745,891</u>	<u>\$ (61,390)</u>	<u>\$ 1,131,257</u>	<u>\$ 931,699</u>	<u>\$ 1,877,148</u>

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental activities

Governmental activities increased Township net assets by \$993,089 in 2007 compared to a \$745,891 increase in 2006. The most significant reasons for the increase in 2007 follow:

- Property tax revenues increased by \$690,220. The increase was primarily due to a new millage for trails that generated \$416,283 in property tax revenues. The remainder of the increase was generated through a 14 percent increase in taxable values on property in the Township.
- The new Trails millage generated \$416,283 in tax revenue while only \$117,191 was spent in the current fiscal year thereby increasing net assets by \$301,370 in this activity alone.
- Interest income was more nearly \$90,000 higher than the prior year as a result of managing the Township investments for the best returns available.

The following table shows the costs of the Township's three largest programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the Township's taxpayers by each of these functions.

The total cost of all governmental activities was \$3,029,345.

However, the amount that our taxpayers paid for these activities through general revenues was \$3,745,978. Some of the cost was paid by:

- Those who directly benefited from the programs (\$202,384), or
- Other governments and individuals that subsidized certain programs with grants and contributions (\$74,072).

The Township paid for the \$2,752,889 "public benefit" portion with \$2,700,877 in property taxes and with other revenues, such as state shared revenue and interest income.

	<u>Total cost of services</u>	<u>Net cost of services</u>
General government	\$ 1,271,729	\$(1,175,704)
Public safety	823,988	(780,296)
Culture and recreation	453,628	(390,247)
Other	<u>480,000</u>	<u>(406,642)</u>
Totals	<u>\$ 3,029,345</u>	<u>\$(2,752,889)</u>

Business-type activities

Business-type activities decreased the Township's net assets by \$61,390 in 2007 compared to a \$1,131,257 increase in 2006. The decrease occurred primarily because customer charges were insufficient to cover all operating costs, including depreciation of \$258,544, of the utility systems. In 2007, the Township did not receive capital contributions, in the form of water and sewer mains turned over to the Utility Department, as occurred in 2006.

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental funds

As of March 31, 2007, the Township's governmental funds reported combined ending fund balances of \$4,966,406 an increase of \$954,876 compared to last year's balances.

The General Fund experienced an increase in fund balance in the amount of \$81,230. The fund's expenditures increased by \$204,808 primarily because of the costs related to the Village Design Charrette (\$115,000). Though expenditures increased, the funds revenues were sufficient to cover the fund's operating costs and still allow an increase in fund balance.

In addition, these other changes in fund balances should be noted:

- The fund balance of the Public Safety Fund increased by \$345,857 due to a \$121,000 increase in tax revenues and a \$25,000 increase in interest income while expenditures remained consistent with the prior year. The fund balance is utilized for future needs of the fund including policing services, equipment, and staffing as may be justified.
- The fund balance of the Parks and Arboretum Fund increased by \$229,733 primarily because there were no open space purchases this year. Of that amount, \$112,930 will be added to the Open Space designation for future open space purchases as properties become available. The remainder will become part of the Parks fund balance to be used for development projects.
- The fund balance of the Trails Fund, a new fund in 2007 increased by \$301,370 as the new millage generated \$416,283 while expenditures were only \$117,191.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved, undesignated fund balance was \$1,744,860, which represents 97 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance of the General Fund represents 37 percent of the combined ending fund balances of the governmental funds.

General Fund budgetary highlights

General Fund revenues were \$79,592 more than budgeted. Revenues exceeded expectations primarily because interest earnings were \$60,000 more than anticipated. General Fund expenditures, in total, were \$48,559 less than the amounts appropriated. These conditions resulted in a \$128,151 positive budget variance and an \$81,230 increase in fund balance compared to a budgeted \$46,921 decrease.

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2007, amounts to \$16,419,883 (net of accumulated depreciation). This investment includes a broad range of assets including land, sewer and water facilities, buildings, and equipment.

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital assets (continued)

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Land	\$ 1,909,478	\$ -	\$ 1,909,478
Facilities	-	11,991,169	11,991,169
Buildings and improvements	1,205,691	17,831	1,223,522
Equipment	629,895	7,326	637,221
Vehicles	658,493	-	658,493
Totals	\$ 4,403,557	\$ 12,016,326	\$16,419,883

Major capital asset events during the current fiscal year included the following:

- Acquisition of land in the amount of \$144,473
- New equipment purchases in the amount of \$56,146

More detailed information about the Township's capital assets is presented in Note 5 of the basic financial statements.

Debt administration

At the end of the fiscal year, the Township had bonds outstanding in the amount of \$320,000, which represents a decrease of \$100,000. All debt is backed by the full faith and credit of the Township.

Other noncurrent liabilities, totaling \$45,201, represent accrued compensated absences.

More detailed information about the Township's noncurrent obligations is presented in Note 7 of the basic financial statements.

Township of Ada
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Economic condition and outlook

Ada Township continues to be in a good financial condition as reflected in this year's audit report and financial statements. The residents of our community have supported the recent renewals of parks and public safety millages which enhance our ability to provide the services anticipated. The Treasurer is continually managing the Township investments, resulting in a positive increase in interest revenue.

Except for cable franchising and state revenue sharing, the general outlook is positive. These two areas will require ongoing monitoring as any reductions will have a significant financial impact on the Township. Ada Township has been fully impacted by the reduction of statutory revenue sharing. The Township no longer receives any statutory revenue sharing and is only receiving the constitutional amount. The impact of the various federal and state legislative proceedings, currently taking place that may affect cable franchise revenues and state shared revenues is uncertain at this point.

Subsequent to the end of the fiscal year, the Township began building the first phase of the trail system. The residents' approval of a fifteen-year millage specifically for trails allowed the township to bond for completion of the approximately twelve miles of trails over the next three years. The bonds, in the amount of \$4,575,000, were issued in June, 2007.

Contacting the Township's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. If you have questions regarding any information provided in this report or need additional financial information, contact us at:

7330 Thornapple River Drive
P.O. Box 370
Ada, Michigan 49301
(616) 676-9191

You may also send an e-mail to any of the addresses noted below:

George Haga
Township Supervisor
ghaga@ada.mi.us

Deborah Ensing Milhuff
Township Clerk
millhuff@ada.mi.us

Diane Fase Pratt
Township Treasurer
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INDEPENDENT AUDITORS' REPORT

**Township Board of Trustees
Township of Ada, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the nonmajor fund of the Township of Ada, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township of Ada, Michigan's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Ada, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the nonmajor fund of the Township of Ada, Michigan, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Siegfried Crandall P.C.

August 15, 2007

BASIC FINANCIAL STATEMENTS

Township of Ada
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 4,369,531	\$ 3,630,019	\$ 7,999,550
Restricted cash	-	232,046	232,046
Investments	507,784	74,375	582,159
Receivables	224,749	315,503	540,252
Prepaid expenses	50,741	18,730	69,471
Inventory	-	5,291	5,291
Total current assets	<u>5,152,805</u>	<u>4,275,964</u>	<u>9,428,769</u>
Noncurrent assets:			
Capital assets not being depreciated - land	1,909,478	-	1,909,478
Capital assets, net of depreciation	<u>2,494,079</u>	<u>12,016,326</u>	<u>14,510,405</u>
Total noncurrent assets	<u>4,403,557</u>	<u>12,016,326</u>	<u>16,419,883</u>
Total assets	<u>9,556,362</u>	<u>16,292,290</u>	<u>25,848,652</u>
LIABILITIES			
Current liabilities:			
Payables	186,399	294,342	480,741
Bonds payable	-	100,000	100,000
Total current liabilities	<u>186,399</u>	<u>394,342</u>	<u>580,741</u>
Noncurrent liabilities:			
Compensated absences	45,201	-	45,201
Bonds payable	-	220,000	220,000
Total noncurrent liabilities	<u>45,201</u>	<u>220,000</u>	<u>265,201</u>
Total liabilities	<u>231,600</u>	<u>614,342</u>	<u>845,942</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,403,557	11,696,326	16,099,883
Restricted for:			
Public safety	1,662,447	-	1,662,447
Culture and recreation	1,459,492	-	1,459,492
Debt service	-	232,046	232,046
Unrestricted	<u>1,799,266</u>	<u>3,749,576</u>	<u>5,548,842</u>
Total net assets	<u>\$ 9,324,762</u>	<u>\$ 15,677,948</u>	<u>\$ 25,002,710</u>

See notes to the financial statements

Township of Ada
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 30,423	\$ -	\$ -	\$ -
General government	1,271,729	96,025	-	-
Public safety	823,988	3,981	5,036	34,675
Public works	176,049	46,274	9,984	-
Culture and recreation	453,628	48,679	-	14,702
Community and economic development	<u>273,528</u>	<u>7,425</u>	<u>9,675</u>	<u>-</u>
Total governmental activities	<u>3,029,345</u>	<u>202,384</u>	<u>24,695</u>	<u>49,377</u>
Business-type activities:				
Sewer	944,385	792,295	-	-
Water	1,754,040	1,641,155	-	-
Inspections	<u>161,732</u>	<u>180,060</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>2,860,157</u>	<u>2,613,510</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 5,889,502</u>	<u>\$ 2,815,894</u>	<u>\$ 24,695</u>	<u>\$ 49,377</u>

General revenues:

Property taxes
State shared revenue
Interest income
Franchise fees

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (30,423)		\$ (30,423)
(1,175,704)		(1,175,704)
(780,296)		(780,296)
(119,791)		(119,791)
(390,247)		(390,247)
<u>(256,428)</u>		<u>(256,428)</u>
 <u>(2,752,889)</u>		 <u>(2,752,889)</u>
	\$ (152,090)	(152,090)
	(112,885)	(112,885)
	<u>18,328</u>	<u>18,328</u>
	 <u>(246,647)</u>	 <u>(246,647)</u>
<u>(2,752,889)</u>	<u>(246,647)</u>	<u>(2,999,536)</u>
 2,700,877	-	2,700,877
672,260	-	672,260
255,723	185,257	440,980
<u>117,118</u>	<u>-</u>	<u>117,118</u>
<u>3,745,978</u>	<u>185,257</u>	<u>3,931,235</u>
 993,089	(61,390)	931,699
<u>8,331,673</u>	<u>15,739,338</u>	<u>24,071,011</u>
<u>\$ 9,324,762</u>	<u>\$ 15,677,948</u>	<u>\$ 25,002,710</u>

See notes to the financial statements

Township of Ada
BALANCE SHEET - governmental funds
 March 31, 2007

	Major funds			
	General	Public Safety	Parks and Arboretum	Trails
ASSETS				
Cash	\$ 1,637,025	\$ 1,287,819	\$ 1,125,611	\$ 313,848
Investments	108,572	373,948	25,264	-
Receivables	148,451	39,808	20,276	16,214
Prepaid expenditures	28,470	15,248	7,023	-
Total assets	\$ 1,922,518	\$ 1,716,823	\$ 1,178,174	\$ 330,062
LIABILITIES AND FUND BALANCES				
Liabilities - payables	\$ 78,051	\$ 54,376	\$ 20,052	\$ 28,692
Fund balances:				
Reserved for prepaid expenditures	28,470	15,248	7,023	-
Designated for:				
Cemeteries	71,137	-	-	-
Public safety	-	18,708	-	-
Open space acquisitions	-	-	703,924	-
Parks	-	-	447,175	-
Capital outlay	-	50,654	-	-
Unreserved, undesignated	1,744,860	1,577,837	-	301,370
Total fund balances	1,844,467	1,662,447	1,158,122	301,370
Total liabilities and fund balances	\$ 1,922,518	\$ 1,716,823	\$ 1,178,174	\$ 330,062

Total fund balances - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities* (page 4)

<u>Nonmajor fund</u>	<u>Total</u>
<u>Gypsy Moth</u>	<u>governmental funds</u>

\$ -	\$ 4,364,303
-	507,784
-	224,749
-	50,741

<u>\$ -</u>	<u>\$ 5,147,577</u>
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<u>\$ -</u>	<u>\$ 181,171</u>
-------------	-------------------

-	50,741
---	--------

-	71,137
---	--------

-	18,708
---	--------

-	703,924
---	---------

-	447,175
---	---------

-	50,654
---	--------

-	3,624,067
---	-----------

-	4,966,406
---	-----------

<u>\$ -</u>	<u>\$ 5,147,577</u>
-------------	---------------------

	\$ 4,966,406
--	--------------

4,403,557

(45,201)

\$ 9,324,762

See notes to the financial statements

Township of Ada**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2007

	Major funds			
	General	Public Safety	Parks and Arboretum	Trails
REVENUES				
Property taxes	\$ 769,577	\$ 994,413	\$ 520,604	\$ 416,283
Licenses and permits	131,083	-	-	-
Federal grant	-	34,675	-	-
State grants	681,418	-	-	-
Charges for services	36,085	-	30,201	-
Interest and rentals	209,048	57,177	59,415	2,278
Other	57,522	5,083	17,420	-
Total revenues	<u>1,884,733</u>	<u>1,091,348</u>	<u>627,640</u>	<u>418,561</u>
EXPENDITURES				
Legislative	30,423	-	-	-
General government	1,215,242	-	-	-
Public safety	-	700,365	-	-
Public works	170,978	-	-	-
Culture and recreation	99,492	-	146,777	-
Community and economic development	270,854	-	-	-
Capital outlay	16,514	45,126	251,130	117,191
Total expenditures	<u>1,803,503</u>	<u>745,491</u>	<u>397,907</u>	<u>117,191</u>
NET CHANGES IN FUND BALANCES	81,230	345,857	229,733	301,370
FUND BALANCES - BEGINNING	<u>1,763,237</u>	<u>1,316,590</u>	<u>928,389</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,844,467</u>	<u>\$ 1,662,447</u>	<u>\$ 1,158,122</u>	<u>\$ 301,370</u>

<i>Nonmajor fund</i>	<i>Total governmental funds</i>
<i>Gypsy Moth</i>	
\$ -	\$ 2,700,877
-	131,083
-	34,675
-	681,418
-	66,286
152	328,070
-	80,025
<u>152</u>	<u>4,022,434</u>
-	30,423
-	1,215,242
-	700,365
3,466	174,444
-	246,269
-	270,854
-	429,961
<u>3,466</u>	<u>3,067,558</u>
(3,314)	954,876
<u>3,314</u>	<u>4,011,530</u>
<u>\$ -</u>	<u>\$ 4,966,406</u>

See notes to the financial statements

Township of Ada

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - *governmental funds* (Continued)**

Year ended March 31, 2007

Reconciliation of the statement of revenues, expenditures, and changes in
fund balances to the statement of activities:

Net change in fund balances - total governmental funds (page 7) \$ 954,876

Amounts reported for *governmental activities* in the statement of activities
are different because:

Capital assets:

Assets acquired	225,880
Provision for depreciation	(178,079)

Changes in other assets/liabilities:

Net increase in compensated absences	<u>(9,588)</u>
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Change in net assets of *governmental activities* (page 5) \$ 993,089

See notes to the financial statements

Township of Ada
STATEMENT OF NET ASSETS - proprietary funds
March 31, 2007

	<u>Major funds</u>		<u>Nonmajor fund</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash	\$ 2,462,823	\$ 1,088,422	\$ 78,774	\$ 3,630,019
Restricted cash	-	232,046	-	232,046
Investments	-	74,375	-	74,375
Receivables	130,987	184,516	-	315,503
Prepaid expenses	8,376	9,515	839	18,730
Inventory	-	5,291	-	5,291
Total current assets	2,602,186	1,594,165	79,613	4,275,964
Noncurrent assets:				
Capital assets, net of accumulated depreciation	5,264,148	6,752,178	-	12,016,326
Total assets	7,866,334	8,346,343	79,613	16,292,290
LIABILITIES				
Current liabilities:				
Payables	109,090	184,791	461	294,342
Bond payable	-	100,000	-	100,000
Total current liabilities	109,090	284,791	461	394,342
Noncurrent liabilities - bond payable	-	220,000	-	220,000
Total liabilities	109,090	504,791	461	614,342
NET ASSETS				
Invested in capital assets, net of related debt	5,264,148	6,432,178	-	11,696,326
Restricted for debt service	-	232,046	-	232,046
Unrestricted	2,493,096	1,177,328	79,152	3,749,576
Total net assets	\$ 7,757,244	\$ 7,841,552	\$ 79,152	\$ 15,677,948

See notes to the financial statements

Township of Ada
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - *proprietary funds*
Year ended March 31, 2007

	<u>Major funds</u>		<u>Nonmajor fund</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services:				
Utility charges	\$ 662,908	\$ 1,539,896	\$ -	\$ 2,202,804
Inspection fees	-	-	180,060	180,060
Other	<u>28,267</u>	<u>6,136</u>	<u>-</u>	<u>34,403</u>
Total operating revenues	<u>691,175</u>	<u>1,546,032</u>	<u>180,060</u>	<u>2,417,267</u>
OPERATING EXPENSES				
Personnel costs	52,593	67,944	17,684	138,221
Supplies	3,167	5,514	-	8,681
Contracted services:				
Sewage treatment	520,684	-	-	520,684
Water purchases	-	1,275,028	-	1,275,028
Inspections	-	-	144,048	144,048
Other	7,075	7,175	-	14,250
Utilities	37,453	27,008	-	64,461
Repairs and maintenance	109,534	107,436	-	216,970
Depreciation	110,986	147,558	-	258,544
Miscellaneous	<u>1,336</u>	<u>1,392</u>	<u>-</u>	<u>2,728</u>
Total operating expenses	<u>842,828</u>	<u>1,639,055</u>	<u>161,732</u>	<u>2,643,615</u>
Operating gain (loss)	<u>(151,653)</u>	<u>(93,023)</u>	<u>18,328</u>	<u>(226,348)</u>
NONOPERATING REVENUES				
(EXPENSES)				
Connection fees	101,120	95,123	-	196,243
Contractual payments to the City	(101,557)	(92,560)	-	(194,117)
Interest revenue	122,242	59,569	3,446	185,257
Interest expense	<u>-</u>	<u>(22,425)</u>	<u>-</u>	<u>(22,425)</u>
Total nonoperating revenues	<u>121,805</u>	<u>39,707</u>	<u>3,446</u>	<u>164,958</u>
CHANGES IN NET ASSETS	(29,848)	(53,316)	21,774	(61,390)
NET ASSETS - BEGINNING	<u>7,787,092</u>	<u>7,894,868</u>	<u>57,378</u>	<u>15,739,338</u>
NET ASSETS - ENDING	<u>\$ 7,757,244</u>	<u>\$ 7,841,552</u>	<u>\$ 79,152</u>	<u>\$ 15,677,948</u>

See notes to the financial statements

Township of Ada
STATEMENT OF CASH FLOWS - proprietary funds
Year ended March 31, 2007

	<u>Major funds</u>		<u>Nonmajor fund</u>	
	<u>Sewer</u>	<u>Water</u>	<u>Inspections</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 692,970	\$ 1,551,190	\$ 180,060	\$ 2,424,220
Payments to vendors and suppliers	(674,633)	(1,370,861)	(143,737)	(2,189,231)
Payments to employees	(52,593)	(67,944)	(17,684)	(138,221)
Net cash provided by (used in) operating activities	(34,256)	112,385	18,639	96,768
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Connection fees	101,120	95,123	-	196,243
Contractual payments to City	(101,557)	(92,560)	-	(194,117)
Acquisition of capital assets	(16,558)	(31,543)	-	(48,101)
Principal payments on capital debt	-	(100,000)	-	(100,000)
Interest payments on capital debt	-	(22,425)	-	(22,425)
Net cash used in capital and related financing activities	(16,995)	(151,405)	-	(168,400)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment	-	(3,482)	-	(3,482)
Interest received	122,242	59,569	3,446	185,257
Net cash provided by investing activities	122,242	56,087	3,446	181,775
NET INCREASE IN CASH	70,991	17,067	22,085	110,143
CASH - BEGINNING	<u>2,391,832</u>	<u>1,303,401</u>	<u>56,689</u>	<u>3,751,922</u>
(including \$221,257 in restricted accounts reported in the Water Fund)				
CASH - ENDING	<u>\$ 2,462,823</u>	<u>\$ 1,320,468</u>	<u>\$ 78,774</u>	<u>\$ 3,862,065</u>
(including \$232,046 in restricted accounts reported in the Water Fund)				

See notes to the financial statements

Township of Ada**STATEMENT OF CASH FLOWS - proprietary funds (Continued)**

Year ended March 31, 2007

	<u>Major funds</u>		<u>Nonmajor</u>	
	<u>Sewer</u>	<u>Water</u>	<u>fund</u>	
			<u>Inspections</u>	<u>Totals</u>
Reconciliation of operating income				
(loss) to net cash provided by				
(used in) operating activities:				
Operating income (loss)	\$ (151,653)	\$ (93,023)	\$ 18,328	\$ (226,348)
Adjustments to reconcile operating				
income (loss) to net cash provided				
by (used in) operating activities:				
Depreciation	110,986	147,558	-	258,544
(Increase) decrease in:				
Receivables	1,795	5,158	-	6,953
Prepaid expenses	(7,161)	(8,299)	300	(15,160)
Increase in payables	<u>11,777</u>	<u>60,991</u>	<u>11</u>	<u>72,779</u>
 Net cash provided by (used in)				
operating activities	<u>\$ (34,256)</u>	<u>\$ 112,385</u>	<u>\$ 18,639</u>	<u>\$ 96,768</u>

See notes to the financial statements

Township of Ada
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Ada, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Public Safety Fund accounts for all the financial resources used by the Township to provide police and fire protection services. Revenues are primarily derived from property taxes.

The Parks and Arboretum Fund accounts for the financial resources used by the Township to maintain and improve recreational facilities. Revenues are primarily derived from property taxes.

The Trails Fund accounts for the financial resources used by the Township to construct and improve the nonmotorized pathway system. Revenues are primarily derived from property taxes.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection system.

The Water Fund accounts for the activities of the Township's water distribution system.

Private-sector standards of accounting and financial reporting issued prior to March 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$3,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Equipment	5 - 20 years
Vehicles	5 - 10 years
Infrastructure	20 - 50 years

iv) Compensated absences - It is the Township's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability for unpaid accumulated sick pay benefits has been recorded for the portion due to employees upon separation from service with the Township. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Vacation and sick pay benefits are accrued as the benefits are earned by the employees, as the benefits are attributable to past service and it is probable that the Township will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination of employment.

Sick leave is accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination benefits, as well as other employees who are expected to receive such payments in the future. Unused sick leave accumulates up to a maximum accumulation of twenty-four days. Vacation leave is earned in varying amounts depending upon years of service. Unused vacation time from the prior calendar year, up to five days, may be used during the next calendar year only. Vacation leave is not accrued as it is not a vested benefit.

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) Property tax revenue recognition:

Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and the Township may assess penalties and interest. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations:

The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public works	\$166,619	\$170,978	\$ 4,359
General	Community and economic development	243,270	270,854	27,584
Public Safety	Public safety	696,631	700,365	3,734
Public Safety	Capital outlay	36,000	45,126	9,126

NOTE 3 - CASH AND INVESTMENTS:

Cash and investments, as presented in the accompanying financial statements, consist of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Deposits	\$ 4,369,531	\$ 3,862,065	\$ 8,231,596
Investments	507,784	74,375	582,159
Total	<u>\$ 4,877,315</u>	<u>\$ 3,936,440</u>	<u>\$ 8,813,755</u>

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At March 31, 2007, \$8,033,046 of the Township's bank balances of \$8,433,046 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds; and f) investment pools organized under the local government investment pool act. Not more than 50% of any mutual fund may be invested in commercial paper. The Township's investments consist of holdings in the Kent County Investment Pool, which are nonrisk-categorized qualifying investments, and are carried at cost, which approximates fair market value.

NOTE 4 - RECEIVABLES:

At March 31, 2007, the receivables of the Township's funds were as follows:

	<u>Property taxes</u>	<u>Accounts</u>	<u>Intergovern- mental</u>	<u>Totals</u>
Governmental funds:				
General Fund	\$ 29,821	\$ 8,258	\$ 110,372	\$ 148,451
Public Safety Fund	38,736	1,072	-	39,808
Parks and Arboretum Fund	20,276			20,276
Trails fund	16,214	-	-	16,214
Total governmental funds	<u>\$ 105,047</u>	<u>\$ 9,330</u>	<u>\$ 110,372</u>	<u>\$ 224,749</u>
Proprietary funds:				
Sewer Fund	\$ -	\$ 130,987	\$ -	\$ 130,987
Water Fund	-	184,516	-	184,516
Total proprietary funds	<u>\$ -</u>	<u>\$ 315,503</u>	<u>\$ -</u>	<u>\$ 315,503</u>

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets being not being depreciated - land	<u>\$ 1,765,005</u>	<u>\$ 144,473</u>	<u>\$ -</u>	<u>\$ 1,909,478</u>
Capital assets being depreciated:				
Buildings and improvements	1,793,243	25,261	-	1,818,504
Furniture, fixtures, and equipment	1,265,834	56,146	-	1,321,980
Vehicles	<u>1,173,370</u>	<u>-</u>	<u>-</u>	<u>1,173,370</u>
Subtotal	<u>4,232,447</u>	<u>81,407</u>	<u>-</u>	<u>4,313,854</u>
Less accumulated depreciation for:				
Buildings and improvements	(570,261)	(42,552)	-	(612,813)
Furniture, fixtures, and equipment	(614,035)	(78,050)	-	(692,085)
Vehicles	<u>(457,400)</u>	<u>(57,477)</u>	<u>-</u>	<u>(514,877)</u>
Subtotal	<u>(1,641,696)</u>	<u>(178,079)</u>	<u>-</u>	<u>(1,819,775)</u>
Capital assets being depreciated, net	<u>2,590,751</u>	<u>(96,672)</u>	<u>-</u>	<u>2,494,079</u>
Governmental activities capital assets, net	<u>\$ 4,355,756</u>	<u>\$ 47,801</u>	<u>\$ -</u>	<u>\$ 4,403,557</u>

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets being not being depreciated - construction in process	<u>\$ 94,066</u>	<u>\$ -</u>	<u>\$ 94,066</u>	<u>\$ -</u>
Capital assets being depreciated:				
Facilities	16,206,623	142,167	-	16,348,790
Buildings	41,090	-	-	41,090
Equipment	<u>46,327</u>	<u>-</u>	<u>-</u>	<u>46,327</u>
Subtotal	<u>16,294,040</u>	<u>142,167</u>	<u>-</u>	<u>16,436,207</u>
Less accumulated depreciation for:				
Facilities	(4,101,195)	(256,426)	-	(4,357,621)
Buildings	(21,890)	(1,369)	-	(23,259)
Equipment	<u>(38,252)</u>	<u>(749)</u>	<u>-</u>	<u>(39,001)</u>
Subtotal	<u>(4,161,337)</u>	<u>(258,544)</u>	<u>-</u>	<u>(4,419,881)</u>
Capital assets being depreciated, net	<u>12,132,703</u>	<u>(116,377)</u>	<u>-</u>	<u>12,016,326</u>
Business-type activities capital assets, net	<u>\$ 12,226,769</u>	<u>\$ (116,377)</u>	<u>\$ 94,066</u>	<u>\$ 12,016,326</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 29,726
Public safety	118,514
Public works	1,605
Culture and recreation	<u>28,234</u>
Total governmental activities	<u>\$ 178,079</u>

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - PAYABLES:

At March 31, 2007, the payables of the Township's funds were as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
Governmental funds:			
General Fund	\$ 51,219	\$ 26,832	\$ 78,051
Public Safety Fund	42,985	11,391	54,376
Parks and Arboretum Fund	20,052		20,052
Trails Fund	<u>28,692</u>	<u>-</u>	<u>28,692</u>
Total governmental funds	<u>\$ 142,948</u>	<u>\$ 38,223</u>	<u>\$ 181,171</u>
Proprietary funds:			
Sewer Fund	\$ 108,043	\$ 1,047	\$ 109,090
Water Fund	183,460	1,331	184,791
Inspections Fund	<u>-</u>	<u>461</u>	<u>461</u>
Total proprietary funds	<u>\$ 291,503</u>	<u>\$ 2,839</u>	<u>\$ 294,342</u>

NOTE 7 - NONCURRENT LIABILITIES:

At March 31, 2007, noncurrent liabilities consist of the following individual items.

Governmental activities:	
Accrued compensated absences	<u>\$ 45,201</u>
Business-type activities:	
Bonds:	
\$1,275,000 1996 Water supply system refunding bonds - payable in annual installments of \$100,000 to \$115,000, plus interest at 4.20% to 5.40%; final payment due January 2010.	<u>\$ 320,000</u>

Noncurrent liability activity for the year ended March 31, 2007, is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Compensated absences	<u>\$ 35,613</u>	<u>\$ 43,017</u>	<u>\$ (33,429)</u>	<u>\$ 45,201</u>	<u>\$ -</u>
Business-type activities:					
1996 Water refunding bond	<u>\$ 420,000</u>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ 320,000</u>	<u>\$ 100,000</u>

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - NONCURRENT LIABILITIES (Continued):

At March 31, 2007, debt service requirements, excluding compensated absences, were as follows:

<u>Year ended</u> <u>March 31,</u>	<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 100,000	\$ 16,975
2009	105,000	11,775
2010	<u>115,000</u>	<u>6,210</u>
Totals	<u>\$ 320,000</u>	<u>\$ 34,960</u>

All debt is secured by the full faith and credit of the Township.

NOTE 8 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all elected officials, full-time employees, and paid on-call firefighters through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate at the date of employment. The Township contributes an amount equal to 5% of compensation for paid on-call firefighters and 10% of compensation for all other eligible employees. Paid on-call firefighters are required to contribute 6.2% of compensation and all other covered employees may voluntarily contribute up to 10% of their compensation to the plan. The Township's contributions for each employee (and interest allocated to the employee's account) are vested after 90 days. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township and eligible employees made the required contributions of \$77,718 and \$3,009, respectively, for the year ended March 31, 2007.

NOTE 9 - ECONOMIC DEPENDENCY:

The Township received approximately 23% of its property tax revenue and 38% of its sewer and water utility revenue from one industrial customer.

NOTE 10 - CLAIMS ARISING FROM RISKS OF LOSS:

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and medical claims; injuries to employees; and natural disasters. The risks of loss arising from general liability, building contents, employees' health insurance, workers' compensation, and casualty are managed through purchased commercial insurance.

Township of Ada
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - CONTINGENT LIABILITY:

In the normal course of its activities, the Township becomes a party in various legal actions. The Township is currently involved in Michigan Tax Tribunal cases, filed by property owners, which could have a significant financial impact. Because the outcome of these lawsuits is not presently determinable, the possible range of the potential cost cannot be reasonably predicted; therefore, no accrual has been made for this amount in the financial statements. The Township intends to vigorously defend its position.

NOTE 12 - CONSTRUCTION COMMITMENT:

At March 31, 2007, the Township had authorized a contract totaling \$238,320 for trail improvements. No expenditures had been incurred through March 31, 2007. The improvements are being funded by available funds.

NOTE 13 - SUBSEQUENT EVENT:

In June 2007, the Township issued capital improvement bonds in the amount of \$4,575,000 to finance the construction of a system of nonmotorized bicycle trails and water crossings throughout the Township.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Ada
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 767,320	\$ 767,320	\$ 769,577	\$ 2,257
Licenses and permits	107,525	109,785	131,083	21,298
State grants	697,000	699,158	681,418	(17,740)
Charges for services	30,600	34,400	36,085	1,685
Interest and rentals	147,500	147,500	209,048	61,548
Other	46,978	46,978	57,522	10,544
Total revenues	<u>1,796,923</u>	<u>1,805,141</u>	<u>1,884,733</u>	<u>79,592</u>
EXPENDITURES				
Legislative	<u>34,985</u>	<u>34,985</u>	<u>30,423</u>	<u>4,562</u>
General government:				
Supervisor	45,919	45,919	45,367	552
Elections	65,382	65,382	42,699	22,683
Assessor	149,377	149,377	122,354	27,023
Clerk	145,733	145,733	140,193	5,540
Board of Review	1,162	1,162	1,154	8
Treasurer	127,489	130,489	126,610	3,879
Building and grounds	145,897	145,897	140,637	5,260
Cemeteries	30,200	30,200	21,399	8,801
General administration	535,226	547,301	574,829	(27,528)
Total general government	<u>1,246,385</u>	<u>1,261,460</u>	<u>1,215,242</u>	<u>46,218</u>
Public works	<u>166,619</u>	<u>166,619</u>	<u>170,978</u>	<u>(4,359)</u>
Culture and recreation	<u>105,378</u>	<u>105,378</u>	<u>99,492</u>	<u>5,886</u>
Community and economic development	<u>243,270</u>	<u>243,270</u>	<u>270,854</u>	<u>(27,584)</u>
Capital outlay	<u>40,350</u>	<u>40,350</u>	<u>16,514</u>	<u>23,836</u>
Total expenditures	<u>1,836,987</u>	<u>1,852,062</u>	<u>1,803,503</u>	<u>48,559</u>
NET CHANGES IN FUND BALANCES	(40,064)	(46,921)	81,230	128,151
FUND BALANCES - BEGINNING	<u>1,763,237</u>	<u>1,763,237</u>	<u>1,763,237</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,723,173</u>	<u>\$ 1,716,316</u>	<u>\$ 1,844,467</u>	<u>\$ 128,151</u>

Township of Ada
BUDGETARY COMPARISON SCHEDULE - Public Safety Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 995,483	\$ 995,483	\$ 994,413	\$ (1,070)
Federal grant	-	34,675	34,675	-
Interest	27,900	30,900	57,177	26,277
Other	<u>1,000</u>	<u>1,000</u>	<u>5,083</u>	<u>4,083</u>
Total revenues	<u>1,024,383</u>	<u>1,062,058</u>	<u>1,091,348</u>	<u>29,290</u>
EXPENDITURES				
Public safety:				
Police protection	380,000	380,000	348,122	31,878
Fire protection	316,631	316,631	352,243	(35,612)
Capital outlay	<u>36,000</u>	<u>36,000</u>	<u>45,126</u>	<u>(9,126)</u>
Total expenditures	<u>732,631</u>	<u>732,631</u>	<u>745,491</u>	<u>(12,860)</u>
NET CHANGES IN FUND BALANCES	291,752	329,427	345,857	16,430
FUND BALANCES - BEGINNING	<u>1,316,590</u>	<u>1,316,590</u>	<u>1,316,590</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,608,342</u>	<u>\$ 1,646,017</u>	<u>\$ 1,662,447</u>	<u>\$ 16,430</u>

Township of Ada**BUDGETARY COMPARISON SCHEDULE - Parks and Arboretum Fund**

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 520,864	\$ 520,864	\$ 520,604	\$ (260)
Charges for services	29,800	32,300	30,201	(2,099)
Interest and rentals	37,500	40,800	59,415	18,615
Other	<u>1,700</u>	<u>1,700</u>	<u>17,420</u>	<u>15,720</u>
Total revenues	<u>589,864</u>	<u>595,664</u>	<u>627,640</u>	<u>31,976</u>
EXPENDITURES				
Culture and recreation	149,891	149,891	146,777	3,114
Capital outlay	<u>245,000</u>	<u>281,500</u>	<u>251,130</u>	<u>30,370</u>
Total expenditures	<u>394,891</u>	<u>431,391</u>	<u>397,907</u>	<u>33,484</u>
NET CHANGES IN FUND BALANCES	194,973	164,273	229,733	65,460
FUND BALANCES - BEGINNING	<u>928,389</u>	<u>928,389</u>	<u>928,389</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,123,362</u>	<u>\$ 1,092,662</u>	<u>\$ 1,158,122</u>	<u>\$ 65,460</u>

Township of Ada
BUDGETARY COMPARISON SCHEDULE - Trails Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ -	\$ 414,642	\$ 416,283	\$ 1,641
Interest and rentals	-	3,500	2,278	(1,222)
Total revenues	-	418,142	418,561	419
EXPENDITURES				
Culture and recreation	-	22,000	-	22,000
Capital outlay	-	120,000	117,191	2,809
Total expenditures	-	142,000	117,191	24,809
NET CHANGES IN FUND BALANCES	-	276,142	301,370	25,228
FUND BALANCES - BEGINNING	-	-	-	-
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 276,142</u>	<u>\$ 301,370</u>	<u>\$ 25,228</u>